

CDF NEWS RELEASE

California Department of Forestry and Fire Protection



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STATE FIRE MARSHAL IMPOSES \$500,000 FINE FOR WALNUT CREEK PIPELINE EXPLOSION

SACRAMENTO – California State Fire Marshal Ruben Grijalva imposed a \$500,000 fine today, the maximum allowed by law, on Kinder Morgan Energy Partners of Houston, Texas in response to the gasoline spill and subsequent explosion that killed five people and injured four others in Walnut Creek on November 11, 2004. One residence was burned and other property also was damaged as a result of the explosion. The full Pipeline Failure Investigation Report also was released today and can be accessed in the pipeline safety section at the State Fire Marshal's office web site

<http://osfm.fire.ca.gov/>

In his findings, which are included in the pipeline failure investigation report, Grijalva determined:

- Kinder Morgan did not properly mark the location of the LS-16 petroleum pipeline as required by the company's damage prevention program and as required by Section 4216 of the California Government Code
- Kinder Morgan staff/agents did not follow the company's line locating procedures

To prevent this type of event from occurring again, the State Fire Marshal issued a Compliance Order directed at the following specific areas:

- Require each inspector observing an excavation in the vicinity of the company's pipelines to take all available measures to properly locate the pipeline and/or verify previous locating activities.
- Ensure that all employees involved with line riding, excavation, and inspection activities related to one-call notifications follow all of the damage prevention program procedures (including Kinder Morgan policies/procedures, Operator Qualification protocols and One-Call Damage Prevention requirements).
- Provide adequate supervision/oversight to ensure that each response made by an employee or contract representative to an excavation notification is handled correctly and that line locating procedures are properly followed.
- Consider modifications to the company's Operator Qualification Program (OQ). In particular, it is recommended that the company review the adequacy of covered tasks involving line

locating, one-call notifications, and inspection of excavation activities. Additionally, it is necessary that the company review the adequacy of required training, evaluation and qualification methods for each of these covered tasks to ensure that each employee and/or contractor representative is OQ qualified to perform that task.

Assessment of Civil Penalty

Under Section 51018.6 of the California Government Code, Kinder Morgan is subject to a civil penalty not to exceed \$10,000 for each violation for each day the violation exists up to a maximum of \$500,000 for any related series of violations. Within 30 days of receiving this letter, Kinder Morgan can select one of the following options from Section 2071, Title 19, California Code of Regulations.

1. Pay the civil penalty and agree to the Compliance Order as provided in Section 51018.6, California Government Code.
2. Submit an offer in compromise of the civil penalty.
3. Submit written explanations, information, or other materials in answer to the allegations or in mitigation of the proposed civil penalty.
4. Request a hearing as provided under Section 2072, Title 19, California Code of Regulations.

Following receipt of response, the State Fire Marshal will issue either a final order, review any compromise proposal submitted and respond to it, or set a date and time for a hearing.

The State Fire Marshal's Pipeline Safety Division is responsible for enforcement of pipeline safety standards for more than 5,000 miles of intrastate hazardous liquid pipelines in California owned by 47 different companies.

The division is certified by the United States Department of Transportation/Office of Pipeline Safety and has received the highest possible program audit rating for the past 10 consecutive years. Since 1987 the State Fire Marshal's program has been certified by this federal agency as an Interstate Agent for the inspection and enforcement of pipeline safety standards for the 1,300 miles of interstate petroleum product pipelines in California.

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